JFMIP UPDATE

August 12, 2003

Overview

- What is JFMIP?
- Financial Management Human Capital
- Financial Management Systems
  - Framework
  - Requirements
  - Testing
- Outreach

What is JFMIP?

- Joint undertaking of the Department of the Treasury, the Office of Management and Budget, the General Accounting Office, and the Office of Personnel Management, working together with each other and program agencies in the executive branch to improve financial management policies and practices.

- Serves as a catalyst to stimulate action, mobilize resources and coordinate efforts to accomplish this objective.

Who is JFMIP?

Principals

David M. Walker, Comptroller General of the U. S.

John W. Snow, Secretary of the Treasury

Joshua B. Bolten, Director, OMB

Kay Coles James, Director, OPM

Steering Committee

Joseph L. Kull (Chair), Deputy Controller, OMB

Jeffrey C. Steinhoff, Managing Director, Financial Management and Assurance, GAO

Robert N. Reid, Deputy Assistant Secretary for Accounting Policy, Department of the Treasury

Clarence C. Crawford, Associate Director for Management and Chief Financial Officer, OPM

Kathleen M. Turco, Chief Financial Officer, GSA

Karen Cleary Alderman, Executive Director, JFMIP

President's Management Agenda

- Budget/Performance Integration

- Strategic Management of Human Capital

- Competitive Sourcing

- Improve Financial Performance

- Expand E-Government

Engaged JFMIP Principals

Major Recent Actions

- Definition of Success in Financial Management
- Composition of the Federal Accounting Standards Advisory Board
- Accelerating Financial Statement Reporting
- Social Insurance Issues
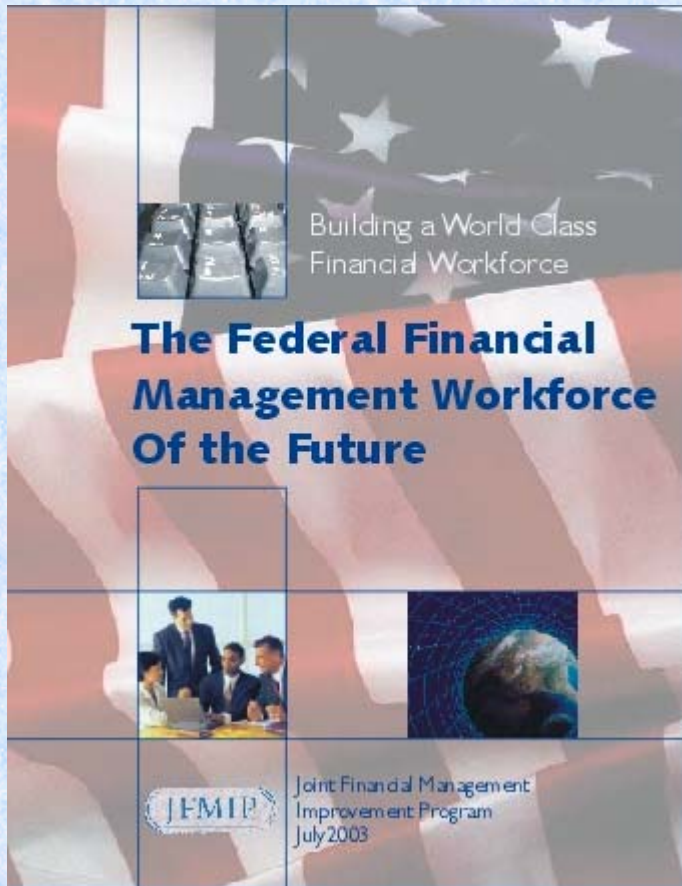- Audit Opinion Impediments
- Other

Key Partners for JFMIP Projects

- Chief Financial Officers Council (CFOC)
- Federal Accounting Standards Advisory Board (FASAB)
- Other Councils
  - Procurement Executive Council (PEC)
  - Chief Information Officer Council (CIOC)
  - Inter Agency Electronic Grants Committee (IAEGC)
  - President's Council on Integrity and Efficiency (PCIE)
  - Federal Financial Managers Council (FFMC)
- Communities of Interest
  - Association of Government Accountants (AGA)
  - American Society of Military Comptrollers (ASMC)
  - Private Sector Council

JFMIP draws upon interested organizations for resources and knowledge to support projects.

The Federal Financial Management Workforce of the Future

Building a World Class Financial Workforce

The Federal Financial Management Workforce Of the Future

JFMIP
Joint Financial Management Improvement Program
July 2003

Study Purpose:

➢ To identify and analyze current challenges

➢ Recommend strategies to effectively address the challenges.

Major Findings

- The demands on FM workforce are changing.

- The FM workforce supports the business needs of today, but it is poorly positioned to support the needs of tomorrow.

- A significant majority of FM work supports transactions processing.

- The future requires broad, multi-skilled analytic workforce capacity.

- Current pipeline will not meet future workforce requirements without strategic management intervention.

Major Findings

- We have an aging workforce:

  Few new hires and low separation rates of older cohorts, coupled with high separation rates of the few young employees we do hire, are major contributors to this trend. Barriers to recruitment and hiring, including compensation and lengthy hiring processes are others.

Distribution of Budget and Accounting Professional and Administrative Personnel, by Age, 1997 and 2002
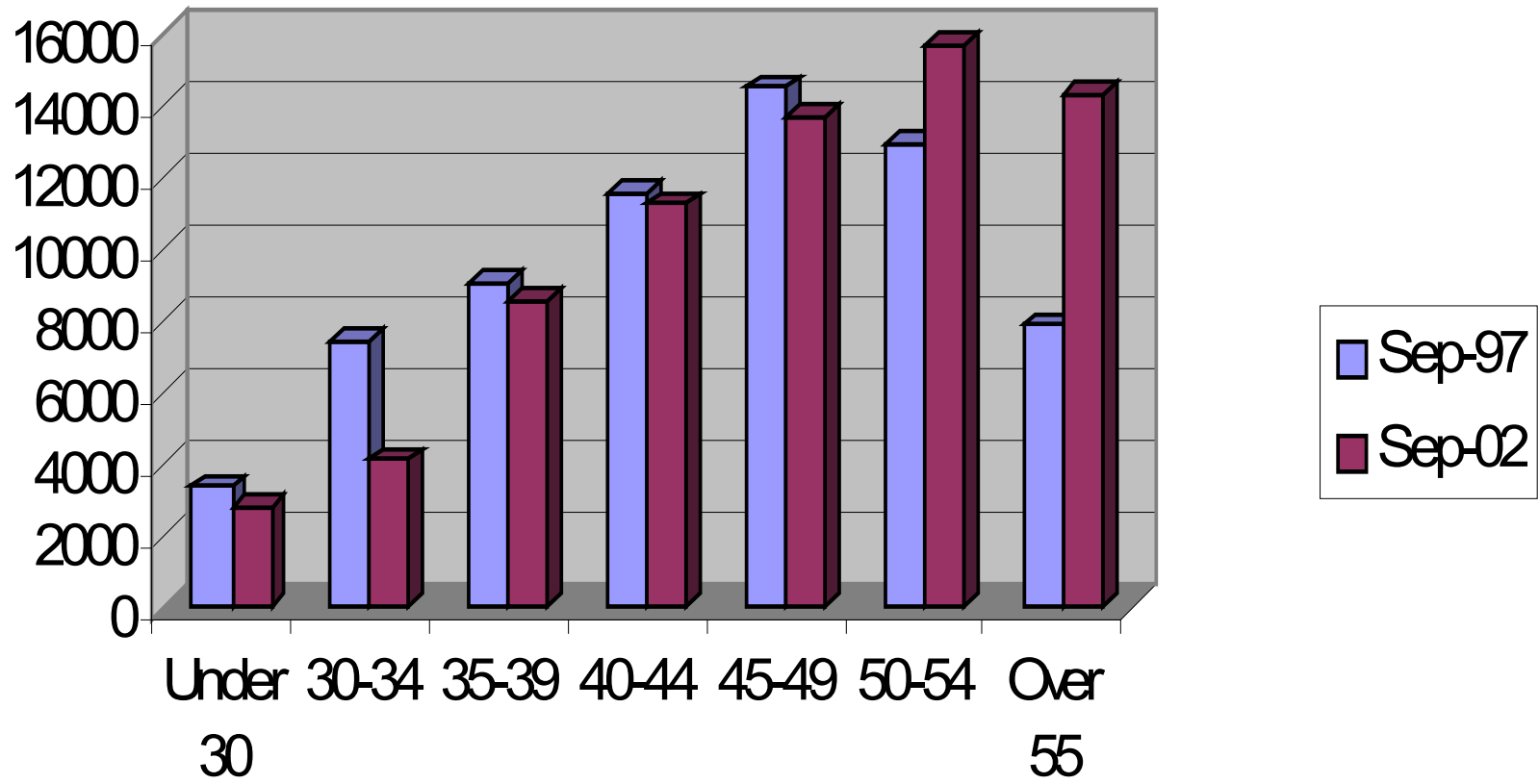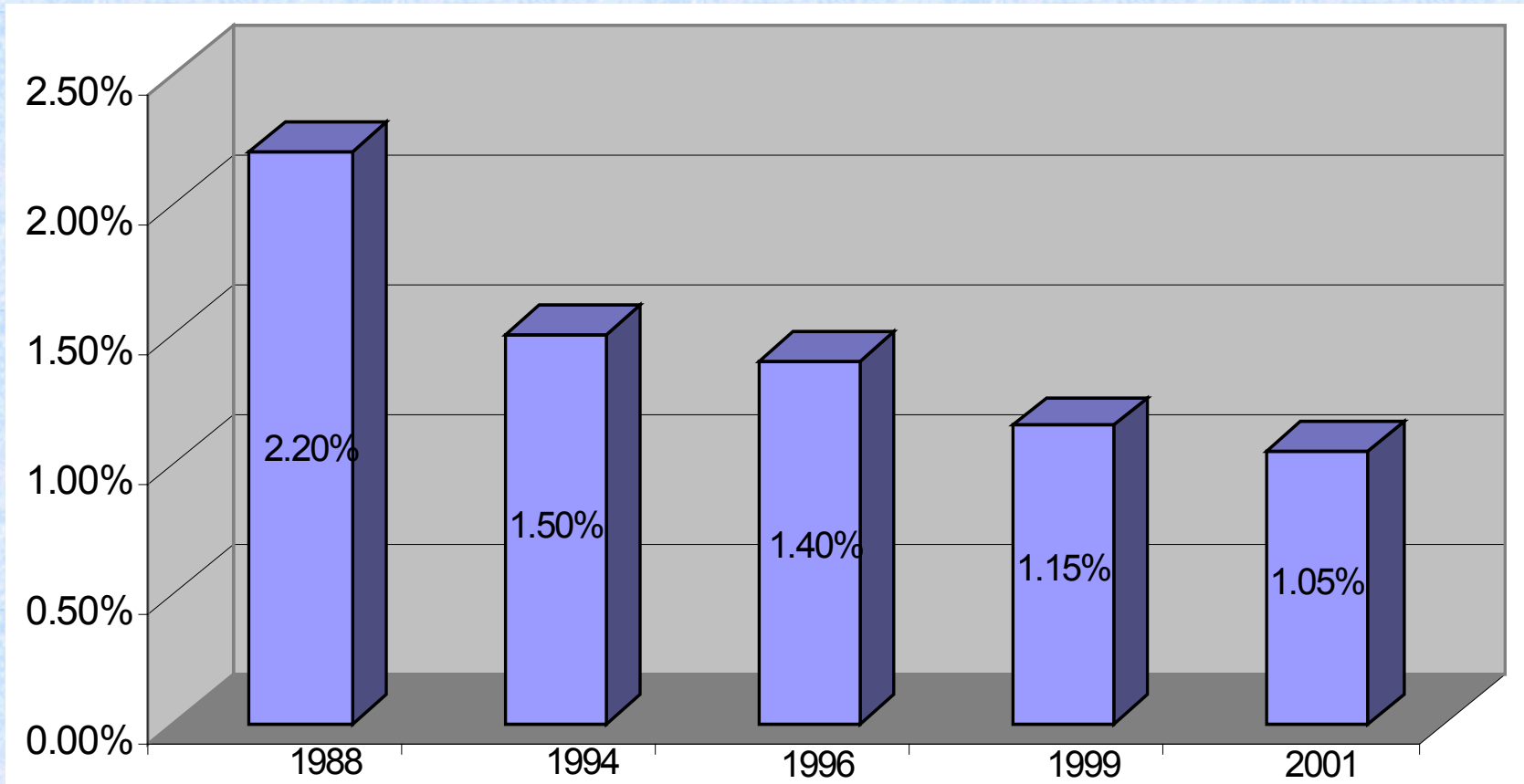
Major Findings

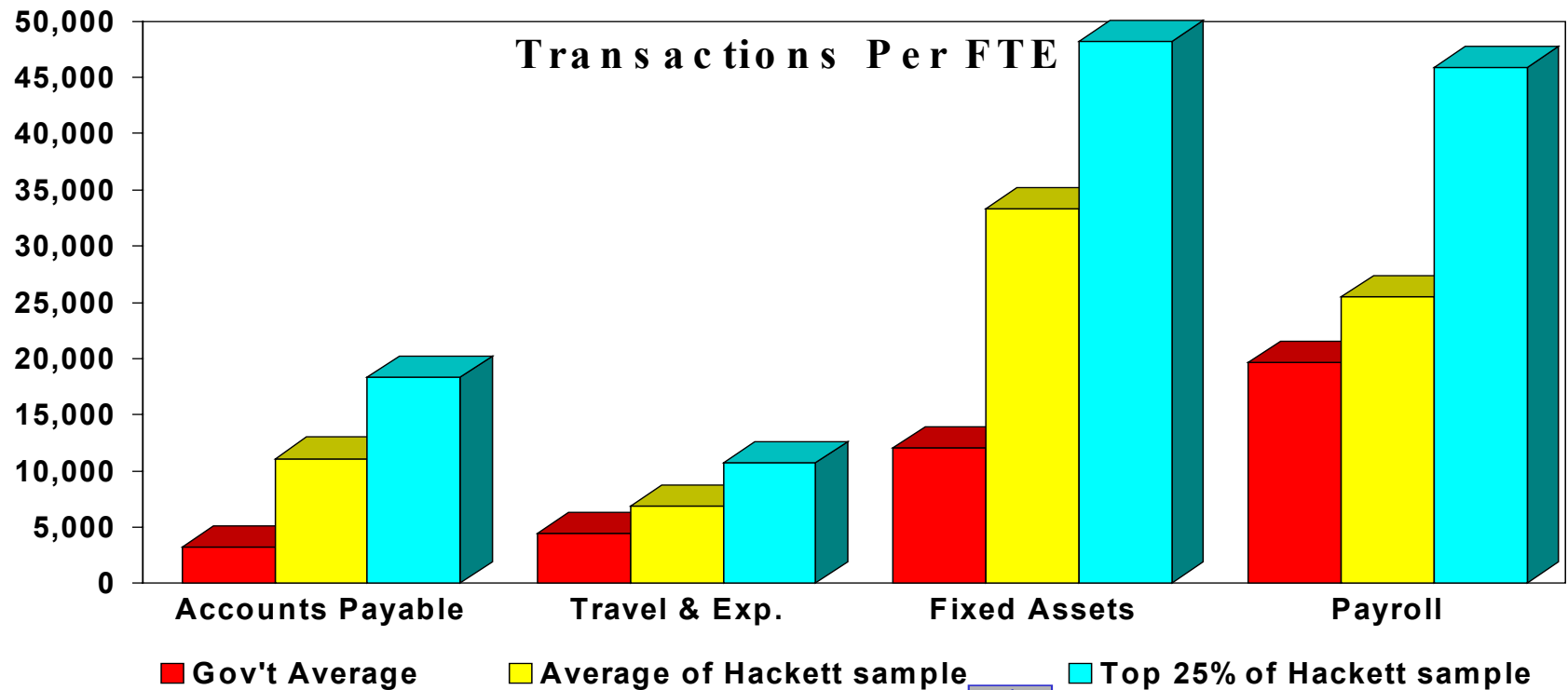● Inefficient work processes that consume our current workforce:

   Although workforce productivity compares favorably to private-sector financial management, archaic rules and systems limit our ability to perform at our highest level.

Finance Cost as a Percentage of Revenue

Comparison of Federal Labor Productivity for Selected Finance Functions, 1998

Transactions Per FTE

Legend:
- Gov't Average (red)
- Average of Hackett sample (yellow)
- Top 25% of Hackett sample (cyan)

Categories: Accounts Payable, Travel & Exp., Fixed Assets, Payroll

The Hackett Group

Major Findings

3. Uncertain future needs:

➢ In general, CFOs have not engaged in systematic workforce planning.

➢ Agencies need to establish an inventory of competencies and identify competency gaps.

➢ Impact of system consolidations and alternative sourcing is uncertain.

Major Findings

4. Skill imbalance:

   The federal financial management workforce will shift from transaction processing support to multi-skilled analysis and decision making.

   ➤ Consensus that critical deficits exist to transition from transaction processing to multi-skilled decision making.

   ➤ There is no consensus on how to get there.

Overview of the Future
The Most Valuable Skills for Financial Managers
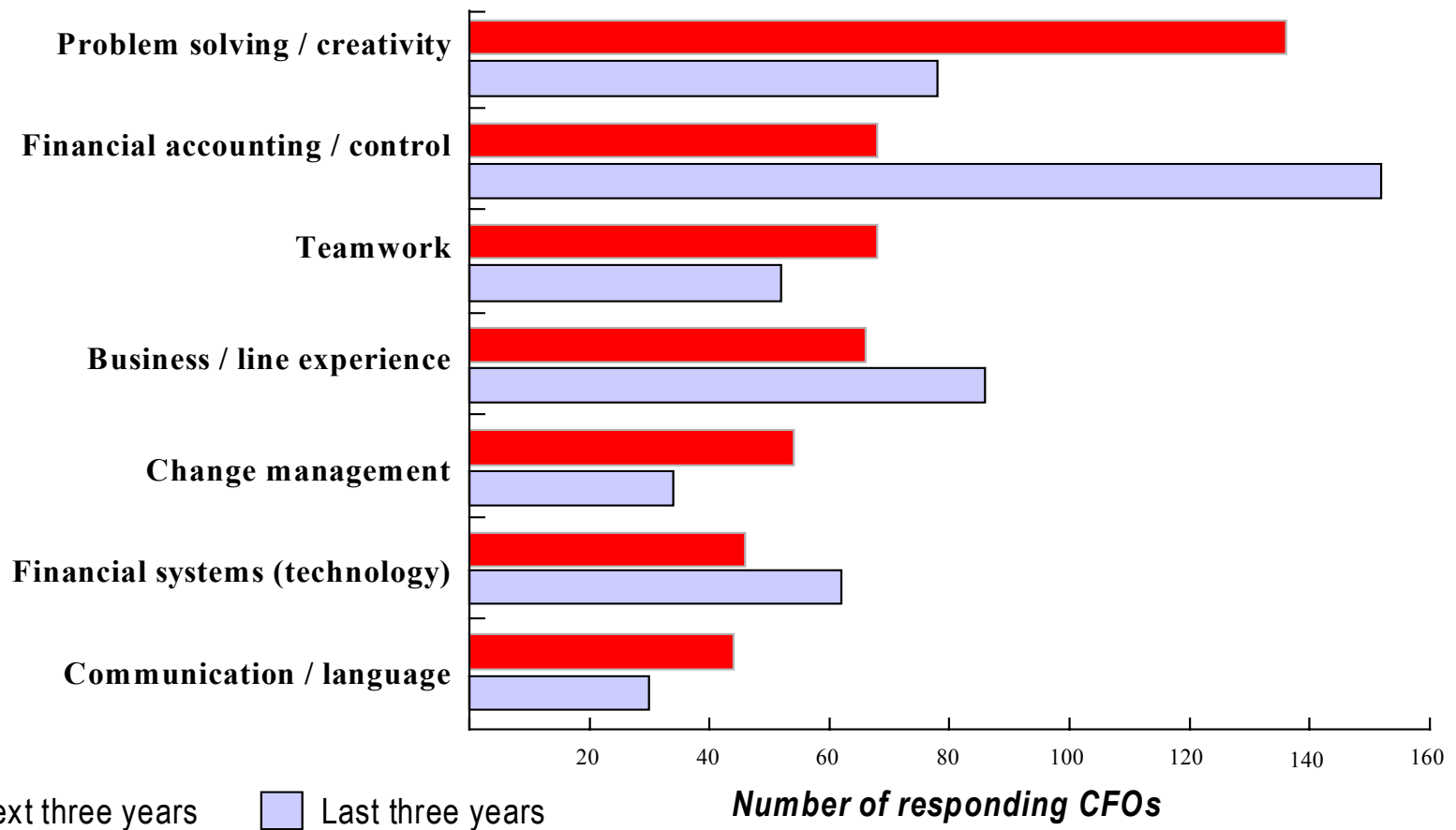
Source: CFO 2000 survey: What two skills are most valuable in developing the role of the finance function? Included in PriceWaterHouseCoopers, "The CFO of the Future, the Changing Role of the Financial Manager," Presentation to the 7th Annual Government CFO Retreat, 2000.

Recommendation 1:
Consistent CFO leadership and vision

- ✓ Identify goals and understand the critical competencies needed to achieve these goals.

- ✓ Set the vision for continuous learning.

- ✓ Describe clearly the competencies required, and communicate these expectations to the workforce.

- ✓ Require both agency leadership and employees to take responsibility for acquiring these competencies.

Recommendation 2:
Adopt a recruitment strategy

- ✓ Use intern programs
- ✓ Apply Intergovernmental Personnel Act (IPA) Authority.
- ✓ Exploit existing flexibilities.
- ✓ Utilize technology (job fairs, interviews, streamlined hiring).
- ✓ Create a positive image.
- ✓ Mentor new hires.

Recommendation 3:
Commit to employee development

✓ Set organizational vision and goals to foster identification and communication of future competencies and expectations.

✓ Align policy goals and career management practices to develop highly skilled, multi-functional employees.

✓ Support and target development resources aimed to close competency gaps.

Recommendation 4:
Adopt a broader financial management career concept

- ✓ Ensure that advancement is contingent on broad knowledge and experience.

- ✓ Restructure the position classification and position management framework to support multi-skilled knowledge workers.

Recommendation 5:
Adopt flexible performance-based systems

- ✓ CFO senior leaders must work in partnership with agency HR leaders to set goals and establish commitment.

- ✓ Adopt performance-based retention, compensation and promotion systems that place premium on developing, retaining, and rewarding employees who achieve organizational performance goals.

Conclusion

➢ Achieving the financial management vision of the future is paced by the quality of the people who support it.

➢ Acknowledging our need for change is the first step.

JFMIP Financial Management Systems Activities

- ➢ **Framework**
- ➢ **Systems Requirements**
- ➢ **Core Financial System Testing**

President's Management Agenda Implications for Systems and Processes

- Stronger internal controls to ensure high quality data that is complete and accurate

- Business process changes needed to "build in" data quality at the start of the transaction

- Greater standardization in business rules

- Greater standardization in financial data

- Integration of data

- Greater use of e-processes

2003 Financial Management Framework Project Objective

- Update the 1995 JFMIP Framework for Federal Financial Management Systems.

- Develop the financial management segment of the Federal Enterprise Architecture.

Financial management cuts across the entire federal enterprise.

Business

Financial Management

Information/Data

Applications

Technology
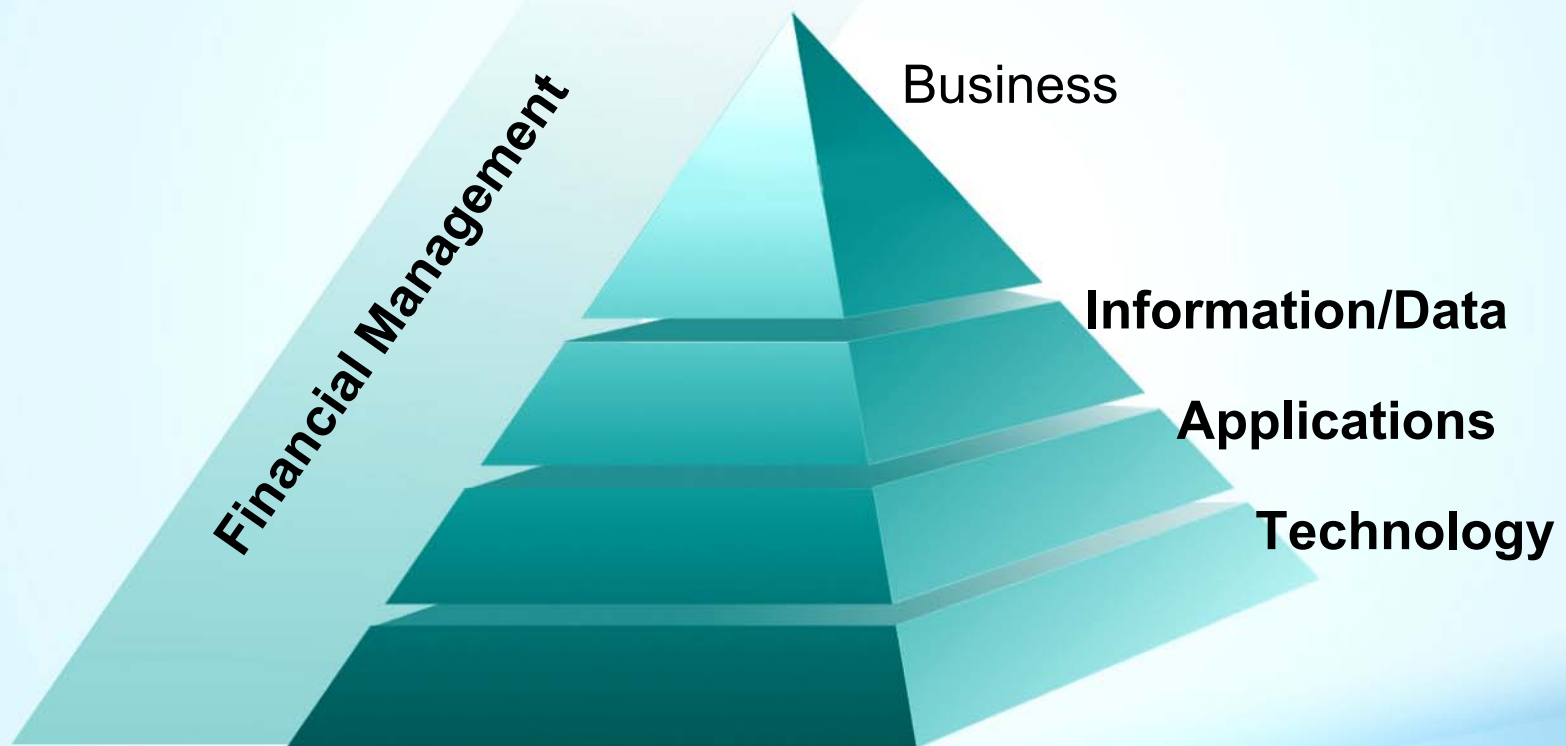
Framework Highlights
– What's New

- CFO – CIO Collaboration
- Utilizes an Enterprise Architecture Framework
- Focuses on:
  - Desired Performance Capabilities
  - Government-wide inter-relationships
  - Integrated Services Operating on Common Data

- Includes:
  - Accountability and Control & Improved Program Performance
  - Hierarchical description of Business drivers, processes
  - Central Agency & Agency View

- Excludes Financial Management Systems Implementation & Life Cycle

Financial Management System Requirements

JFMIP Financial Systems Architecture Status —July 2003

- **Issued Since 1998** (green)
- **Development in Process** (orange)
- **Never Issued** (blue)
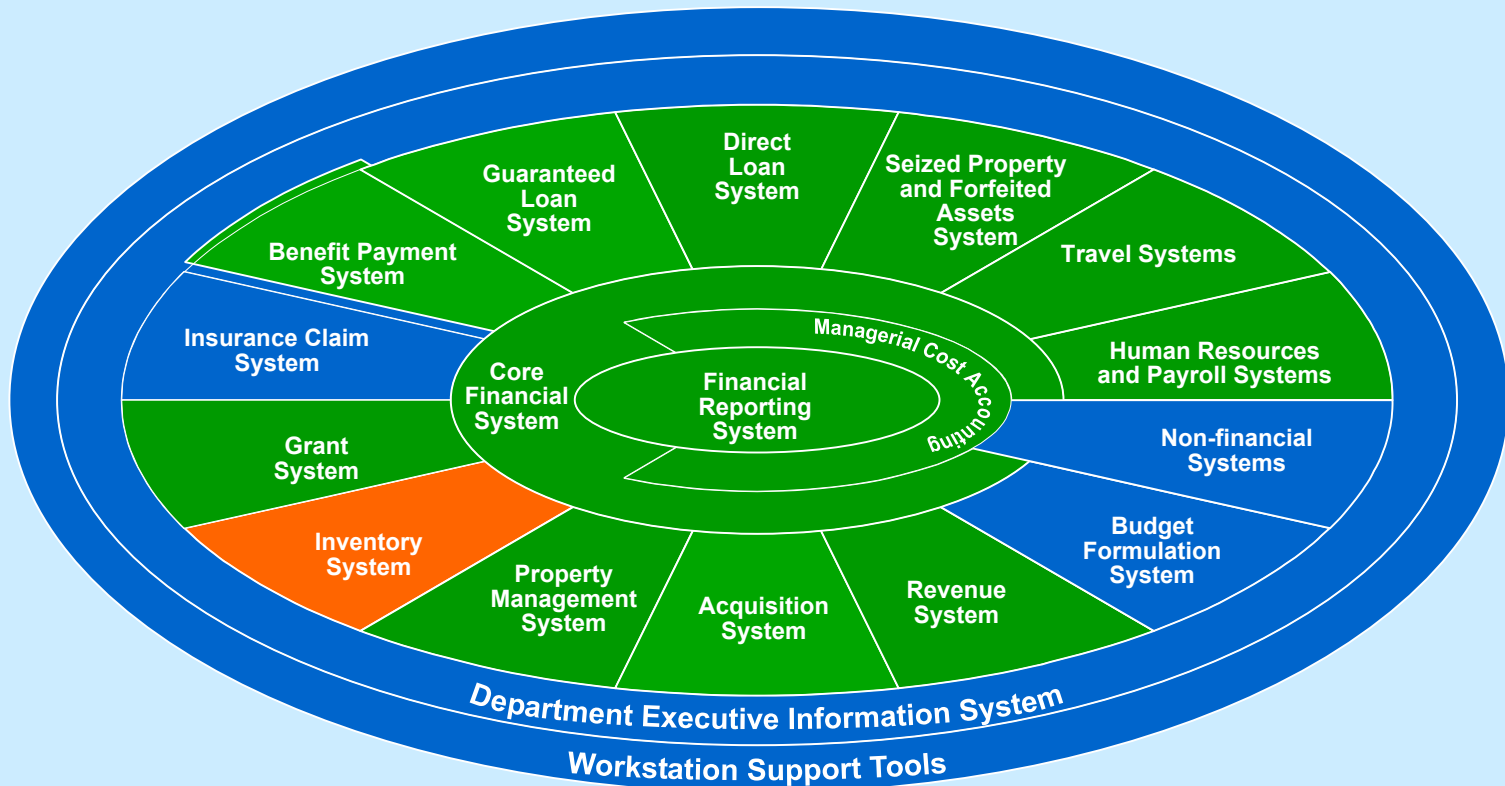
JFMIP Requirements Efforts in 2003
Inventory, Supplies, and Materials System Requirements

- – Led by Department of Defense

- – Re-write and expansion of a previous document

- – Updated inventory held for sale

- – Added: operating materials and supplies and stockpile materials

- – Developed new requirement in support of Unique Item Identifiers (UIDs)

- – Software must have UID field

- – Use of the field is agency optional

JFMIP Core Financial System Testing Process

Goal: Keep Requirements
and Vendor Offerings Aligned!

Core Financial System Requirements
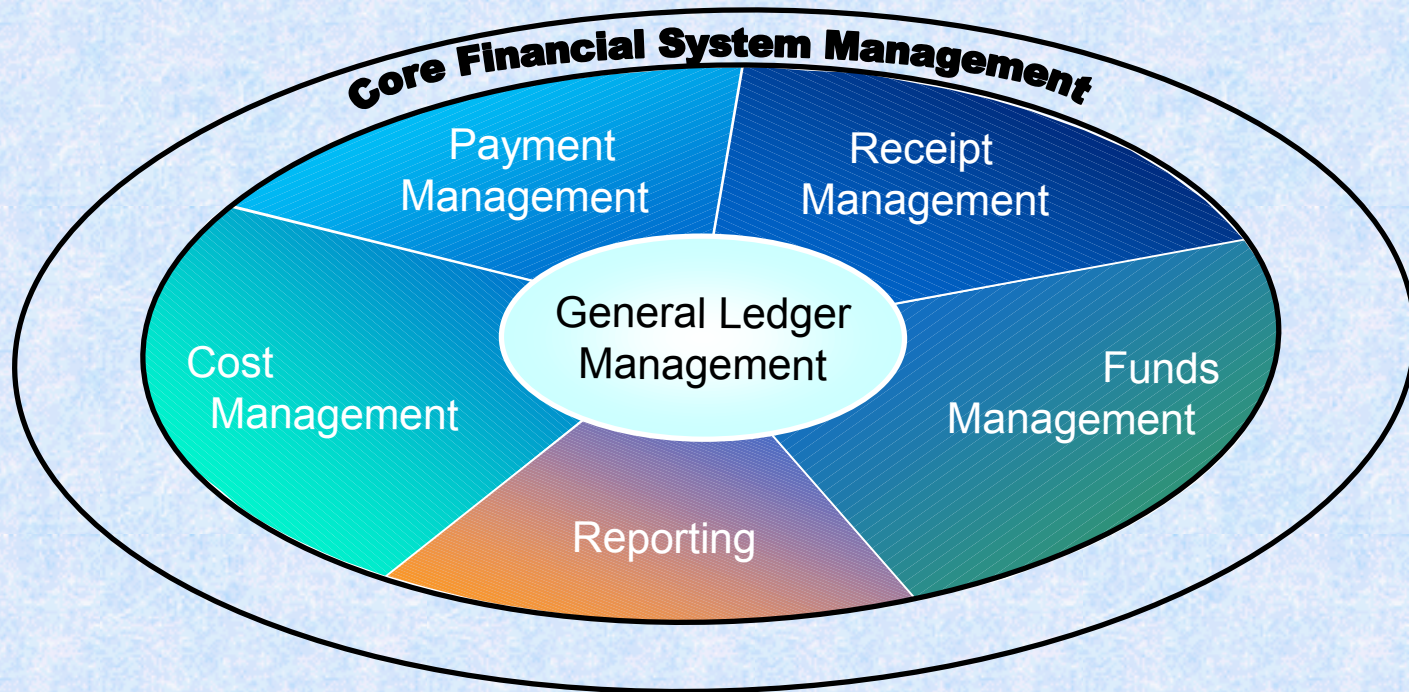
Why Test?
Costs of Software Defects*

When Defect is Detected

User Requirements
Coding/Testing
System Testing
Acceptance Testing
After Implementation

Typical Cost of Correction

$100-$1,000
$1,000 or more
$7,000 to $8,000
$1,000 to $100,000
Up of millions of $$$$

The Business Case for Clearly Defined Requirements and System Testing. Who argues with ROIs of over 1000 to 1?

Collard, Ross, Software Testing and Quality Assurance, 1997

The Software Qualification Process

Key Inputs and Outputs

Requirements Development

Develop & Maintain Test

Administer Test

Issue Certification

Certificate

Information

Electronic Repository
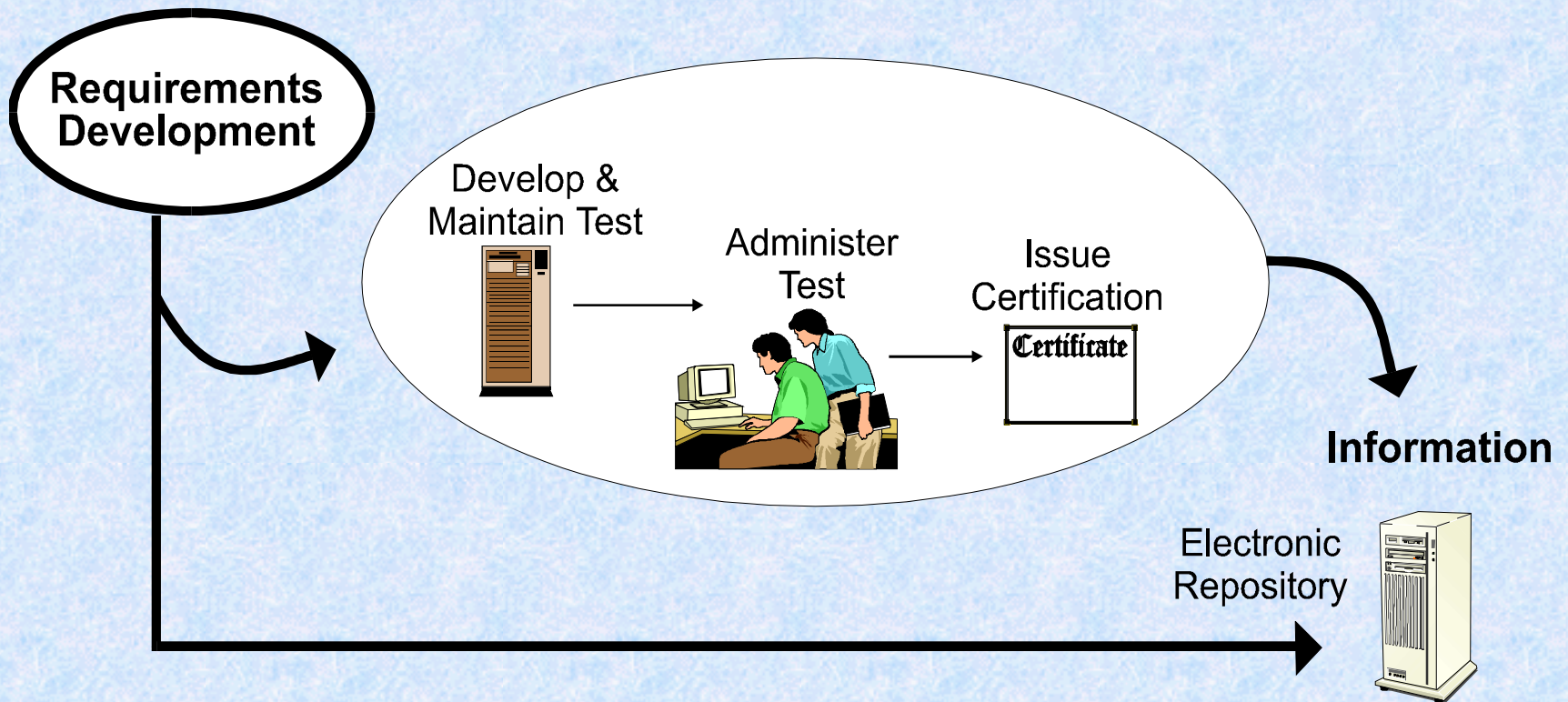
JFMIP Process: Requirements and Test History

- 1999Core Requirements Updated

- 1999First Round of Testing

- 2000First Incremental Test

- 2001Core Requirements Updated

- 2003Second Round of Testing

Major 2001 Changes to Core Requirements Document

- In general, requirements clarified
- Treasury payment requirements clarified
  - Target known software deficiencies
- Upward/Downward adjustments for prior year recoveries expanded from one to four requirements
  - Also improves adjustment of feeder system transactions
  - Automate, better control a current manual process (in some systems)
- Support proposed intergovernmental eliminations through expanded trading partner code

The Software Qualification Process
Test Features

- Simulates agency financial processing over a 2 year period
- Tests more requirements (goal 100%), more "fully"
- Includes test automation and a "pop quiz"
- Live testing of Treasury system interfaces
  – FACTS II baseline, FACTS I added
  – Treasury payment requirements
- Upward/downward adjustment for prior year recoveries, and transactions from feeder systems
- Tests internal reporting
- Tests financial statements (quarterly, end of year)

The Software Qualification Process
What a Certificate of Compliance Means

- Agencies Responsible for Compliance under FFMIA (Refer to OMB Circular A-127)

- JFMIP Test Certificate Valid for 3 Years
  - Subject to incremental testing and possible new version testing

- Agencies Must Only Acquire COTS that have a Valid JFMIP Certificate

- Affects acquisition of new systems; policy silent on upgrades

The Software Qualification Process
Agency Impacts

- Results in higher quality software

- Installed software is subject to continuous improvement by vendor

- Helps to minimize the need for agencies to customize packages to meet new or modified requirements set by oversight agencies

2003 Testing Status

- All Certificates based on the 1999 test expired June 30

- Six tests were scheduled, three are complete

- Notices for products that pass the test are published on the JFMIP web site

- Supplemental information will also be published

Summary of Qualified Software

Supplemental Test Information

- Finding Reports

- Architecture Used for the Test

- Platforms Used for the Test

- Functional Observations

- Value-Added Requirements

Successfully Fielding New Systems

- Executive level commitment and awareness is mandatory

- Business needs should drive technology choices

- Strong project management is required

- Business process reengineering is a must

- Involve all stakeholders

- Don't modify COTS unless absolutely necessary

- Independent oversight and performance measurement is necessary

Outreach

Education and Sharing in the Federal Financial Management Community

- Quarterly newsletters
- Annual Report
- Online Federal Financial Managers Database
- Executive Forums
- Annual Conference
- Open House Forums

JFMIP

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